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THE MARKET FOR PRIVATE LABEL FOODS IN THE UNITED KINGDOM

November 2000

Également disponible en français sous le titre,

Le marché des aliments de marque maison au Royaume-Uni)

Prepared by the
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and the
Canadian Trade Commissioner Service

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(FaxLink no. 34040)

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101-02199/

THE MARKET FOR PRIVATE LABEL FOODS IN THE UNITED KINGDOM

Team Canada • Équipe Canada

EXECUTIVE SUMMARY

The U.K. has the largest sales of private-label foods in the European Union. Food products account for 55% of total U.K. private-label sales and were valued at approximately $68 billion(1) in 1999. This sector achieved growth of 30% between 1993 and 1997 and is still increasing, although at a slower rate.

While private-label foods were originally developed for retailers to increase their competitiveness and profit margins, the market has developed significantly over the last decade. Private-label products have now also become a tool for retailers to differentiate themselves from others and build an image, attract and retain customers, vary their product line, and offer lower prices and greater value.

Innovation has played an important role in the success of private-label products since retailers have evolved from simply producing "copycat" products to introducing new sophisticated lines of higher-margin value-added products and range extensions to meet consumer needs.

The private-label market now offers wider ranges of product lines including budget, value and premium products. These products are able to attract and satisfy a wider scope of consumers and can compete with brand-name products in quality, price and innovation.

Because of their changing lifestyle, consumers in the U.K. are demanding greater convenience and variety. There is substantial growth potential for convenience foods such as prepared meals, exotic dishes, snack foods, frozen desserts, cooking sauces and salad dressings.

Food manufacturers and retailers are responding to consumer concerns regarding products containing genetically modified (GM) ingredients by moving away from GM foods and introducing organic product lines. Opportunities for Canadians exist for organic products such as pasta, cheese, baby food, meals and sauces.

Premium quality and value-added foods are experiencing significant growth and may present increased opportunities for Canadians in the U.K. market for medium to higher-end private-label foods.

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THE MARKET FOR PRIVATE LABEL FOODS IN THE UNITED KINGDOM

MARKET OVERVIEW

The United Kingdom is Canada's second-largest processed food and beverage market after the United States. The United Kingdom must rely on imports to meet domestic demand for most food sectors. Food imports to the United Kingdom totalled more than $34 billion in 1998. Canada's exports to this market reached almost $330 million in the same year.

With a population of nearly 60 million, the United Kingdom is the third-largest economy in Western Europe. In 1998, the United Kingdom's retail food market, including grocery stores, supermarkets and food retailers, was valued at over $188 billion. At that time the market was expected to grow by 5.2% over a five-year period, to reach over $198 billion in 2003. Private-label products represented 43.4% of unit sales in U.K. supermarkets in 1998.

From the very beginning, consumers in the U.K. have perceived private-label products as being of good quality and value oriented, since retailers developed and positioned their lines in this manner. The market for private-label foods has been driven both by a desire on the part of retailers to increase their profit margins and by consumer demand for good quality foods at prices lower than those of brand-name products.

Retailers introduced their own-label products out of the need to have an edge in a marketplace that had become highly competitive in the United Kingdom. Retailers can retain a greater portion of the margin for private-label products than for brand-name products, which carry higher management, distribution and marketing costs. This increased profit margin allows retailers to pass on savings to their customers, who typically save from 10% to 25%.

The private-label market has evolved significantly, and now offers wider product lines including budget, value and premium products. Innovation has played an important role in the success of private-label products since retailers have evolved from simply producing "copycat" products to introducing new sophisticated lines of value-added products to meet consumer needs. Budget products attract customers by offering everyday staple goods at discounted prices. Premium products can provide higher margins for the retailer and the image of exclusivity for the customer. Packaging has also improved over the years, reflecting the evolution of private-label products, in order to cater to design conscious consumers.

Private-label products have become a tool for retailers to differentiate themselves from others and build an image, attract and retain customers, vary their product line, offer lower prices and greater value, and compete with

brand-name products while increasing their profit margins.

The economy is showing signs of strength and disposable income is currently on the rise in the United Kingdom. According to British market research firm Key Note, in the U.K. food sector, consumer spending increased by 14.7% between 1994 and 1998, and is expected to continue upward, rising another 11.4% between 1999 and 2003.

The United Kingdom has the largest sales of private-label foods in the European Union. Food products account for 55% of total private-label sales and were valued at approximately $68 billion in 1999. This sector achieved a 30% growth rate between 1993 and 1997 and continues to grow, albeit at a slower rate. According to the *1999 International Private Label Yearbook*, published by the Private Label Manufacturers Association (PLMA), annual sales of private label products in the United Kingdom were up nearly 3% in volume terms and over 2% in value terms.

Private label products with the highest market shares include dairy; dry groceries such as pasta and savoury rice; canned apricots, tomatoes, peas and beans; honey, jam, jellies and peanut butter; chilled desserts and frozen foods. There has been significant growth in prepared meals, exotic dishes and frozen desserts. Much potential exists for these and other premium or fantasy products at the high end of the private-label range. The growing market for and popularity of private-label foods should offer Canadian producers even more opportunities in coming years.

While growth is expected in volume terms, it might be slower in value terms due to increased price competition. More sophisticated, higher-margin bearing products and range extensions are expected to compensate for slower value growth.

Private-label products are increasingly overpowering brand-name products on supermarket shelves. Retailers are setting brand-name products aside to less visible locations, and are charging for and limiting the space available to them.

Price wars have become an integral marketing strategy for U.K. food retailers. Promotional activity at the point of sale is the newest approach, including product magazines, additional quantities for the same price, and special two-product packages. In addition, food suppliers are adjusting their merchandising strategies to target children, whose influence on purchasing decisions has increased substantially. Canadian companies need to ensure that they provide competitive pricing, adequate advertising and aggressive sales strategies when introducing new products to the U.K. market. In acquiring or maintaining market share, new product development is especially important in mature markets or food sectors where brand products have a strong presence.

Key Factors Shaping Market Growth

The primary factor driving the development of private-label foods is the desire of retailers to increase gross margins. In turn, larger profit margins allow retailers to be increasingly competitive.

Consumers in the United Kingdom are becoming more and more price conscious. An August 1999 study by Research International revealed that sales and special offers on brand-name products have led U.K. consumers to believe that regular retail prices are too high. When comparing product categories in other countries, high U.K. prices become even more obvious. Consumers feel that they are being overcharged -- they have lost trust in brand-name products and now look to private-label products to provide them with better value.

There is, however, a trend towards lower prices in the U.K. food retail market. This trend has been brought on by an anticipated economic slowdown; the media exposing lower prices in the United States and other parts of Europe; a current review of supermarkets by the Office of Fair Trading; the entry of Wal-Mart through its takeover of ASDA; and the increasing ability that consumers have to compare global prices via the Internet. These pressures will affect pricing strategies for brand-name products and, in turn, private-label products.

Products containing genetically modified (GM) ingredients are the major current issue affecting sales in the food sector. A recent study by a global biotechnology company indicates that 44% of consumers in the United Kingdom find products containing GM ingredients unacceptable, up from 25% in 1997. Food manufacturers and retailers are responding to market concerns and modifying their sourcing, production and marketing strategies.

A trend that was born from past food security crises, such as the bovine spongiform encephalopathy (BSE) or "mad cow disease", is clearer labelling that indicates the country of origin. Suppliers of private-label products are being audited by the retailers, who are trying to offer peace of mind to their customers. Tesco, for example, requires that their pork products (e.g. bacon and cooked ham) clearly identify the country of origin. The new labels include information on where the product was reared, processed and packed.

Growing concern for the environment and food scares are behind an increasing demand for environmentally friendly and ecologically sound products, such as meals containing free-range eggs; products that are free of additives and chemicals; and foods that are organically grown or packaged in biodegradable materials.

The growth of private-label foods is also a response to consumer demand for a wider selection of items. A broad selection of brands or flavours of an item can arouse consumer interest in a specific product. Although consumers may perceive that they are getting a wider selection of foods, in many cases a private-label product has replaced a brand-name item and the overall number of products has stayed the same. The difference is that private-label products now account for a greater share of the overall market.

An important consideration for success is the establishment of a trusted private-label brand image. Consumers who purchase private-label foods that offer good quality for a good value are more likely to purchase additional private-label brand products from the same retailer. Since most retailers offer competitively priced brand-name items, the selection of private-label products is one of the few factors that differentiates one retailer from another. Once customers find a private-label brand that they like, they tend to be loyal to that product.

Alliances are becoming increasingly popular in Europe. National brands are developing into pan-European brands as supermarket chains conquer new markets and thus expand the market for their private-label products.

The Internet is now helping to reshape the food industry. Supermarket chains such as ASDA and Iceland are looking to increase their share of the market by offering customers the ability to buy their goods online. With more than 200 000 on-line clients, Tesco claims to be the world's biggest grocery business on the Internet. Because customers can compare prices and delivery costs on-line, products must be priced competitively.

Opportunities

There is a considerable need for the continuous supply of private-label products to established markets like the United Kingdom. Although high costs associated with transportation, taxes and duties may limit opportunities for Canadian manufacturers, premium quality and value-added foods such as prepared meals, exotic dishes and frozen desserts are growing in popularity and may present increased opportunities for Canadians in the U.K. market. Other opportunities for Canadian exports exist for, but are not limited to, the following products:

Convenience Foods

Consumers' main demand is convenience. In the United Kingdom, 95% of chilled meals are private label. There is substantial growth potential for chilled ready meals such as ethnic meals, meat and fish dishes, fresh soups or salads, and specialty meals packaged with accompanying seasonings, sauces or dressing. Opportunities for other convenience foods include dairy, breakfast foods, snack foods and soft drinks.

Snack Foods

The U.K. market for sweet and savoury cookies has grown by 9.6% from 1994 to 1998. Mainly driven by the sweet cookies sector, this market is expected to grow by another 8.5% by 2003.

Potato chips (or *crisps* as they are known to the British) are the traditional savoury snack in the United Kingdom, accounting for almost half of that market. In 1998, private labels made up 55.9% of the chip sector. Opportunities exist for healthier snacks such as pretzels and children's snacks.

Growth potential has also been identified for the following key imported products: cereal products, confectionery, cooking sauces, dips and salsas, frozen foods, ice cream, organics, salad dressings, vegetable and salad oils.

Table 1. Growth Potential for Key Imported Food Products in the U.K.

Products	Total Value of Global Imports Average 1993-1997 (US$ Million)	Forecast Rate of Import Growth for 1998-2004 (%)
Cereal Products	5123	4
Confectionery	11492	3
Cooking Sauces	808	8
Dips and Salsas	103	30
Frozen Foods	6576	8
Ice Cream	2284	5
Organics	359	10
Salad Dressings	336	6
Vegetable Oils	438	7

Cereal Products

More than one third of British consumers buy private-label cereal. Per capita, they consume 60% more cereal than consumers in the United States, which is the top market for cereal products in volume terms. Driven by convenience, healthy snacking and busy lifestyles, demand for cereal bars, biscuits and premium products are increasing substantially. Growth of cereal products is predicted to be of 18% between 1997 and 2001.

Frozen Foods

The U.K. frozen foods market grew by 25% between 1994 and 1998, with ice cream being the largest sector. Private labels represent a 46% share of frozen foods. The frozen food market is expected to increase by 20.4% by 2003. The chilled desserts sector, which is 54% private label, should experience growth of 23.9% for the same period. The two leading brand products in that sector are Nestlé's Aero Milk Chocolate Mousse and Cadbury's Milk Chocolate Dessert.

Organic Foods

It is estimated that 70% of organic food consumed in the United Kingdom is imported. Opportunities for Canadians exist for products such as pasta, cheese, baby food, meals and sauces.

Fruit Juices

Health awareness will only intensify over the next few years, increasing the demand for nutritional drinks while alcoholic ones become less popular. Private labels represent 63.2% of total fruit juice sales in the United Kingdom. Retailers' offerings range from value to premium products. In the pure juice sector, price is often the only way for manufacturers to differentiate themselves and becomes the deciding factor for customers. Private-label juices are able to deliver high quality at reduced prices making them very competitive. To keep up with private labels, brand names must make greater marketing efforts and keep introducing new, value-added products.

For commodity products such as fruit juices, it will be necessary to introduce new innovative products and packaging to retain customer interest. The juice drinks (containing a minimum of 5% fruit juice) sector experienced the highest growth between 1994 and 1998, increasing by 56.2% in volume terms and 83.7% in value terms. In 1998, private labels represented 32.1% of the juice drink market. Although a somewhat limited segment of the market, premium products such as fresh, chilled pure juices and "juice with bits" are the types of products capable of making an impact with some customers, while providing retailers with higher profit margins. The fresh juice sector is forecast to increase by 17% in volume terms for the period of 1998 to 2003. The organic juice sector is expected to increase by more than four-fold by 2001.

Pet Foods

It is estimated that 50% of households own a pet. The U.K. market for pet food is led by dog food, which is forecast to increase by 12% from 1998 to 2003.

Actual and Planned Projects

In response to consumer concerns, most retailers and many manufacturers including Tesco, ASDA, Marks & Spencer, UNILEVER, Heinz, Nestlé, Northern Foods, Mars and Cadbury have reduced or banned GM products from their product lines. The supermarket chain Iceland was one of the first to ban GM products from its shops (May 1, 1998) stating that their research showed that 81% of their customers were concerned with GM foods. Now it has even banned artificial colourings and additives from its own-label produce, and sales of these products, such as colouring-free eggs, have doubled. Sainsbury has removed all GM ingredients from its private-label foods.

Supporting these GM bans, Prince Charles has been widely quoted as opposing GM products and the scientific manipulation of nature, while favouring organic foods.

Some retailers might reconsider their stance towards GM products if nutritional benefits can be proven in the future. In the meantime, the European Union passed a new rule in early January 2000 obligating food suppliers to label products containing ingredients with more than 1% of GM material.

Following the trend of popular organic products, Sainsbury introduced a new 24-item line of private-label organic grocery products in 1999. The chain now offers a total of 50 different organic products including chilled ready-to-eat meals, sauces, dairy products and dry groceries.

In a quest to develop markets and become increasingly competitive, numerous mergers and acquisitions of manufacturing as well as retailing companies are reshaping the food sector.The most influential event was Wal-Mart's takeover of ASDA in 1999, causing greater price competition in the market by providing lower-priced branded products.

Manufacturers Unigate and Kerry Foods have expanded their operations by purchasing businesses, while Northern Foods and Hazlewood Foods sold off their less profitable businesses. Perkins has both acquired and sold businesses.

Leading retailer Tesco plans to open 28 new hypermarkets worldwide in 2000.

COMPETITIVE ENVIRONMENT

Local Capabilities

Domestic producers currently dominate the production of private-label products. Large manufacturers, such as Northern Foods, Hillsdown Holdings and Bookers, have been joined in producing private-label products by niche manufacturers (i.e. Noon Products producing Indian foods) as well as traditional brand manufacturers (i.e. Heinz, Weetabix, McVities and Ryvita). Since cost was originally the overriding factor in the development of private-label foods, U.K. retailers chose domestic manufacturers to produce their private-label foods. However, the growth in demand for high-quality and value-added private-label foods will provide increased opportunities for foreign producers to enter the market.

The leading food manufacturers in the United Kingdom are Associated British Foods, Tate & Lyle, Hillsdown Holdings, Unigate, Northern Foods and Tomkins. In the past year, there have been quite a few mergers and acquisitions of manufacturing companies reshaping this sector. Many are looking to increase their penetration of European markets.

International Competition

European Union countries are in the best position to supply U.K retailers with imported private-label foods. Products from these countries are subject to lower tariff levels than are Canadian products and their manufacturers have a geographical advantage that allows for shorter transportation time and lower cost. However, with cost being the determining factor in the private-label market, even other EU suppliers may have difficulty competing with U.K. producers for the rights to supply retailers with certain private-label foods. Countries which have highly developed private-label markets, such as France, will provide the greatest competition among EU countries.

Canadian Position

Shipping costs, tariffs and duties put Canadian manufacturers at a significant disadvantage when attempting to compete in the U.K. market for private-label foods. As a result of these barriers, the best opportunities for Canadian manufacturers likely lie in forming joint ventures with or licensing a U.K. company to sell their products. Canadian producers may be able to compete with foreign companies in the production of medium to higher-end private-label foods. Value-added and premium products provide market niches and greater profit margins.

Competitive Advantage Through Canadian Government Policies and Initiatives

Agri-Food Trade Program

The Agri-Food Trade Program (AFTP) is a cost-shared contribution program designed to support Canadian agri-food industry activities in areas of market readiness, market access and market development. The objective of the AFTP, which combines the Agri-Food industry Market Strategies (AIMS) and Agri-Food Trade 2000 (AFT2000) programs, is to increase sales of agriculture, food, and beverage products in domestic and foreign markets.

A priority of the AFTP is to encourage Canadian agri-food associations and alliances to develop and implement sectoral export market development strategies to improve their global competitiveness.

Canadian Commercial Corporation

The Canadian Commercial Corporation (CCC) gives Canadian companies access to financing and better payment terms under the Progress Payment Program (PPP). The PPP concept was developed as a partnership between major Canadian financial institutions and the CCC. It enables the exporter's bank to open a project line of credit for

the exporter's benefit, based on CCC approval of the project and the exporter's ability to perform. The CCC will also act as a prime contractor on behalf of Canadian small and medium-sized enterprises, giving those businesses increased credibility and competitive advantage.

Export Development Corporation

Export Development Corporation (EDC) offers export financing and insurance to Canadian exporters. Additionally, insurance can be provided for larger transactions that are subject to the terms and conditions established by the buyer. EDC prefers to work through letters of credit, bank credits or bank guarantees. Approval for financing is considered on a case-by-case basis.

Program for Export Market Development

The Program for Export Market Development (PEMD) helps Canadian companies enter new markets by sharing the costs of activities that companies normally could not or would not undertake alone, thereby reducing risks involved in entering a foreign market. Eligible activities include market visits, trade fairs, incoming buyers, product testing for market certification, legal fees for international marketing agreements, transportation costs of offshore company trainees, product demonstration costs, promotional materials, and other costs necessary to execute a market development plan. Activity costs are shared on a pre-approved, 50/50 basis.

The PEMD refundable contribution ranges from $5,000 to a maximum of $50,000. Preference is given to companies with less than 100 employees for a firm in the manufacturing sector and 50 in the service industry, or with annual sales between $250,000 and $10 million. Other components of the program include international bid preparation (Capital Project Bidding) and, for trade associations, developing international marketing activities for their membership. For additional information visit http://www.infoexport.gc.ca/pemd-e.asp or call 1-888-811-1119.

New Exporters to Overseas

The New Exporters to Overseas (NEXOS) program helps Canadian companies that have not yet exported to Europe. NEXOS introduces the essentials of exporting and provides practical information and first-hand exposure to European markets. Contact the Department of Foreign Affairs and International Trade, European Business Development Section (RENB) or visit http://www.infoexport.gc.ca/nexos-e.asp for more information about NEXOS.

WIN Exports

WIN Exports, a database of Canadian exporters and their capabilities, is used by trade commissioners around the world and by Team Canada Inc partners in Canada to match Canadian suppliers with foreign business leads, and to share information on trade events. To register your company in WIN Exports or for more information, visit http://www.infoexport.gc.ca/winexports/menu-e.asp or call 1-888-811-1119.

PRIVATE-SECTOR CUSTOMERS

British consumers are among the most demanding in the world, a fact that has resulted in an extremely competitive marketplace as manufacturers cater to consumers' demands in an attempt to gain market share. Because of the availability of information and choice in the marketplace, consumers are generally becoming more aware of comparative prices, sales and value.

One of the main factors that determine if a customer will choose a private-label product over a brand-name product is the price differential between the two. Although price is an important issue, quality is also a consideration. Disposable income is increasing in the United Kingdom: the average weekly earnings increased by 4.4% in 1998 to reach $908. This leads to greater spending and a stronger demand for premium products. Annual food expenditures are $2,915 per capita.

Recent market research by GfK (Great Britain) indicates that customers who purchase private-label products are more confident and come from a higher socio-economic background than customers buying brand-name products. The latter were found needing to be reassured by the perceived reliability of branded products. Indeed, although consumers felt comfortable serving private-label foods to their families, they were hesitant to offer such products while hosting their guests. Branded products were typically served during social events.

Nevertheless, customers who find satisfaction in a private-label product tend to get attached and develop a certain loyalty to the retailer's brand. Not only do they continue purchasing the same product but they are also inclined to try other products of the same private-label brand.

Private-label products are able to attract and satisfy a wider scope of consumers by offering a diversified range of products. Thrifty shoppers will opt for budget items, value-driven clients will be comfortable in the middle of the

range, while customers with additional disposable income will buy more luxurious products at the premium end of the line.

As more women join the workforce (38.7% of women were employed outside the home in 1998), the number of households with both parents working increases. In general, people are working longer hours, eating on the go, moving away from traditional meals and eating patterns, and becoming more cosmopolitan. Because of their changing lifestyle, U.K. consumers are demanding greater convenience and variety through a wider range of foods that require little or no preparation (fresh and frozen ready meals, processed and snack foods, and specialty meals). Convenience products represent more than half of supermarket sales versus traditional foods.

The British population is ageing and there is also an increasing share of single-person households, which is estimated to reach 31% of households by 2001. Suppliers will have to incorporate smaller portions and foods with longer shelf lives into their product lines.

Also rising in popularity are lower-fat, vegetarian and organic foods serving the growing number of health-conscious consumers.

MARKET LOGISTICS

Channels of Distribution

The retail food market in the United Kingdom is dominated by large grocery outlets, which represented 81.4% of the value of sales in 1998. The hypermarkets alone captured 39.5% of sales in that same year. The key players are Tesco, J. Sainsbury, ASDA Group, Safeway Stores and Kwik Save Group. Tesco is the market leader with a 21.5% share of the market and sales growing at an average annual rate of 17.7%. Tesco plans to open 28 new hypermarkets worldwide in 2000. Hypermarkets are very popular because they offer one-stop shopping, free parking and lower prices through economies of scale.

Although representing only 2% of retail sales, discount stores offering limited product lines at low prices are experiencing the most growth. The main players in this market are Aldi, Lidl and Netto. Both hypermarkets and discount stores are ideal channels for private-label products.

Private-label sales represent 54% of supermarket and hypermarket sales. All major chains and some of the smaller retailers have developed their own-label product lines.

Table 2. Private-label Products as a Percentage of Total In-store Products (1997)

Retailer	% of Private-Label Products
Sainsbury	50.4%
Waitrose	47.0%
Tesco	45.9%
ASDA	46.0%
Safeway	40.5%
Kwik Save / Somerfield	37.4%

For distribution to retailers in the United Kingdom, it is preferable to contact an importer. Selling directly to the retailer, although possible, is less convenient.

Table 3. U.K. Retailers and their Purchasing Methods

Retailer	Type	Size (# of outlets)	Purchasing Method
Tesco	Major Retailer	585	Importer, Direct
Sainsbury	Major Retailer	406	Importer, Direct
ASDA	Major Retailer	217	Importer, Direct
Safeway	Major Retailer	422	Importer, Direct
Kwik Save /Somerfield	Major Retailer	1428	Importer, Direct
Marks & Spencer	Variety Store	289	Importer, Direct
Morrisons	Minor Retailer	95	Importer, Direct
Waitrose	Minor Retailer	117	Importer, Direct
Iceland	Minor Retailer	734	Importer, Direct
Aldi	Discounter	180	Importer, Direct
Netto	Discounter	113	Importer, Direct
Lidl	Discounter	100	Importer, Direct

There has been a wave of consolidation in Europe's food market as retailers look to expand their markets, create economies of scale and cut operating costs. Large supermarkets first envision becoming pan-European and later expanding to global markets, creating very sophisticated distribution channels.

The newest trend in distribution is Internet grocery shopping. Major supermarket chains such as Tesco, ASDA and Iceland offer on-line shopping and delivery services. Some fill the orders from existing retail stores while others have set up a network of delivery centres. Retailers charge for delivery, although most wave the fee if a certain minimum amount is spent.

Distributors and Wholesalers

When seeking the services of a distributor or wholesaler, exporters should consider the relationship that these individuals have with local governments, buyers and banks; the condition of their facilities; and their willingness and ability to keep inventory. Canadian producers are advised to review the provisions of U.K./EU law with a qualified lawyer before entering into an agreement with a prospective partner.

Agents and Sales Representatives

Agents are also excellent channels to introduce new products into the U.K. market. While agents solicit business and enter into agreements on behalf of the exporter they represent, they do not take ownership over the products they sell.

An exporter must weigh a number of factors when selecting an agent, including:

- region(s) covered by the agent;
- reputation;
- product knowledge;
- experience in handling the exported product;
- commission to be paid;
- what (if any) after-sales service is provided;
- track record; and
- size and quality of the agent's staff.

These attributes can best be assessed during a visit to the United Kingdom. Manufacturers should also ensure that responsibilities are clearly defined before entering into a long-term relationship.

Market-entry Considerations

Suggested Business Practices

British business practices are not substantially different than those in Canada. However, Canadian exporters should note that there are a number of minor differences that can have a significant impact on business relations.

The British business climate is one of conservative formality. The British have developed a reputation for being reserved both on a personal level and in their business relationships. Developing more casual or personal relationships with British counterparts can be a slow process.

In business dealings, responding to correspondence promptly and respecting schedules and appointments is appreciated.

Contacts play a key role in the British business community, since many businesspeople feel more comfortable being introduced by a mutual business associate. Canadian exporters are encouraged to use the services of a third party, such as an agent, to introduce themselves to a potential business partner.

Import Regulations

As a member of the European Union, the United Kingdom follows the Community Integrated Tariff (TARIC) system, which applies duties to all imports from non-EU countries. A local value-added tax (VAT) of 17.5% is also applied to all imports. EU/British import regulations, duties, and tariff-rate-quotas protect domestic industries by limiting the range of foreign products entering the market. Combined with transportation costs, these factors usually result in higher-priced Canadian products.

Canadian producers should consult with British agents/distributors to determine applicable tariff rates.

Local Standards, Certificates or Registrations

Commercial Invoice

The commercial invoice serves as a bill to the buyer from the exporter and must accompany every shipment to the United Kingdom. Invoices should be thoroughly checked, since any error or omission can result in delays, fines or even confiscation. Invoices must include the following information:

- place and date of issue;
- names and addresses of importer and exporter;
- detailed description of the merchandise, including identifying marks, quantities (in units customary to international trade), numbers and varieties;
- method of shipment;
- signature of responsible officer, along with name and title;
- all insurance and freight charges; and
- shipper's invoice number and customer's order number.

Exporters should consult with their customs broker to determine how many copies of the commercial invoice should be sent with each shipment, since the number required varies according to the product being shipped. Any promotional information should also be included with the commercial invoice.

Export Declaration Form (Form B-13)

Export shipments valued at $2,000 or greater must be accompanied by an Export Declaration Form (Form B-13). Although exporters are technically responsible, agents, brokers or carriers typically complete and submit the form on behalf of the exporter.

Packing List

A packing list is necessary when multiple packages are shipped, unless the commercial invoice provides the required information. This list should include:

- the number of packages within one case;
- the net, gross and legal weights of each case, and of the total shipment; and
- the volume of individual packages, as well as of the shipment as a whole.

Between four and seven copies of the packing list should be included in any shipment, depending on the product being shipped.

Bill of Lading

The bill of lading, issued by the carrier for shipping and tracking, defines the carriage contract. It aslo serves as the document of title and a receipt for the goods. Each shipment may contain a set of bills of lading, one copy of which should be kept on file, while other copies are sent to the importer and customs broker. The bill of lading should include:

- description of the product(s);
- weights and measurements of the packages and their types;
- ports of origin and destination;
- names and addresses of shipper, importer and customs broker;
- any freight or other charges incurred;
- number of bills of lading in the full set; and
- carrier's acknowledgment of receipt "on board" of the goods for shipment.

Depending on the product, it may be necessary for exporters to include storage temperature and requirements on the bill(s) of lading.

Certificate of Origin

A certificate of origin verifies that the goods originate in Canada and are therefore subject to all duties or taxes that apply to Canadian products.

Packaging and Labelling

It is recommended that Canadian exporters examine both U.K. and EU regulations regarding packaging and labelling standards. All imported agri-food labels must be in English and include the following:

- name of the product;
- statement of what the product is;
- expiry date and any storage requirement;
- product's country of origin;
- alcohol content, by volume (when applicable);
- manufacturer's lot or batch number;
- nutritional information;
- list of ingredients and weights in metric units; and
- list of additives, preservatives, or colouring used.

In order to harmonize systems throughout the European Union, a new directive requiring metric-only labelling came into force on January 1, 2000.

Authentication of Documents

Documents that need to be authenticated, such as certificates of sale and letters authorizing an exporter's local agent or importer to act on their behalf, must first be notarized in Canada. Exporters can have the notarized documents authenticated, at no cost, by sending them to the Department of Foreign Affairs and International Trade, Authentication and Service of Documents (JLAC).

Export Credit Risks, Restrictions on Letters of Credit or Currency Controls

The United Kingdom currently implements no currency controls.

Generally, the method of payment is a matter for negotiation between the individual supplier and importer. Currently, open account terms with payments due in 30 or 60 days are most commonly used between Canada and the United Kingdom.

In cases where distribution arrangements are concluded, exporters are advised to prepare a contract detailing all major points of agreement, rights, and responsibilities.

PROMOTIONAL EVENTS

Event / Description	Organizer
International Food and Drink Exhibition (IFE) March 25-28, 2001 ExCel London, England Largest food and drink event in Britain targeted at the retail, wholesale and catering markets. Biennial.	**Fresh RM** 11 Manchester Square London, W1M 5AB, England Tel: (44-207) 886-3100 Fax: (44-207) 886-3091 Internet: http://www.ife99.com/base.html
International Food and Drink Exhibition (IFE) - Specialty & Fine Foods June 6-8, 2000 National Hall, Olympia Exhibition & Conference Centre London, England Largest food and drink event in Britain targeted at the retail, wholesale and catering markets. This version of the IFE is dedicated to specialty and gourmet food and drink. Biennial.	**Fresh RM** 11 Manchester Square London, W1M 5AB, England Tel: (44-207) 886-3100 Fax: (44-207) 886-3091 Internet: http://www.ife99.com/speciality/home.html
Private Label Manufacturers (PLMA) Show May 23-24, 2000 RAI Exhibition Centre Amsterdam, Netherlands International show exclusive to manufacturers, agents and retailers. Largest private label show in Europe.	**Debra Best** Private Label Manufacturers Association 369 Lexington Ave. New York, NY,10017 USA Tel.: (212) 972-3131 Fax: (212) 983-1382 Internet: http://www.plma.com/events/events.asp
Food & Drink Expo March 19-22, 2000 National Exhibition Centre Birmingham, England Food & beverage, catering, fresh produce, food ingredients.	**Miller Freeman Ltd.** 630 Chiswick High Rd London, W4 5BG, England Tel: (44-208) 309-7000 Fax: (44-208) 747-3868 Internet: http://www.unmf.com

KEY CONTACTS AND SUPPORT SERVICES

Canadian Support Services

Agriculture and Agri-Food Canada
930 Carling Avenue, 10th Floor
Ottawa, ON K1A 0C5
International Markets Bureau
Tel.: (613) 759-7726
Fax: (613) 759-7506

Alliance of Manufacturers & Exporters Canada
75 International Blvd, 4th Floor
Toronto, ON M9W 6L9
Tel.: (416) 798-0000 or (613) 563-9218
Fax: (416) 798-8050
Internet: http://www.the-alliance.com
E-mail: national@the-alliance.com

Business Development Bank of Canada
#400, 5 Place Ville Marie
Montreal, QC
Tel.: 1-888-463-6232
Fax: (514) 283-0617
Internet: http://www.bdc.ca/

Canadian Commercial Corporation
50 O'Connor St., Suite 1100
Ottawa, ON K1A 0S6
Tel.: 1-800-748-8191 or (613) 996-0034
Fax: (613) 995-2121
Internet: http://www.ccc.ca
E-mail: info@ccc.ca

Canadian High Commission
MacDonald House
1 Grosvenor Square
London W1X 0AB, England
Tel.: (44-20) 7258-6603
Fax: (44-20) 7258-6384
E-mail: ian.thomson@dfait-maeci.gc.ca
Contact: Mr. Ian Thomson, Counsellor (Agriculture and Fisheries)

U.K. Government Contacts

Department of Foreign Affairs and International Trade
125 Sussex Dr.
Ottawa, ON K1A 0G2
Internet: http://www.dfait-maeci.gc.ca

Authentication and Service of Documents (JLAC)
Tel.: (613) 992-6602
Fax: (613) 992-2467

Market Support Division (TCM)
Tel.: (613) 995-1773
Fax: (613) 943-1103

Tariffs and Market Access Division (EAT)
Tel.: (613) 992-2177
Fax: (613) 992-6002 or 944-4840

Northern Europe Division (REN)
Tel.: (613) 995-9401
Fax: (613) 995-6319

Export Development Corporation
151 O'Connor St.
Ottawa, ON K1A 1K3
Tel.: (613) 598-2500
Fax: (613) 237-2690
Internet: http://www.edc.ca
E-mail: export@edc4.edc.ca

British Central Statistical Office
Great George Street
London, SW1P 3AQ
Tel.: (44-20) 7270-3000

British Overseas Trade Board
Department of Trade and Industry
Kingsgate House
66-74 Victoria St.
London, SW1E 6SN U.K.
Tel.: (44-20) 7215-5000
Fax: (44-20) 7215-8000

British Standards Institution
Linford Wood
Milton Keynes, MK14 6LE U.K.
Tel.: (44-190) 8221-166
Fax: (44-190) 8320-856

British Trade & Investment Office
British Consulate General
777 Bay St., Suite 2800
Toronto, ON M5G 2G2
Tel.: (416) 593-1290
Fax: (416) 593-1229
Internet: http://www.uk-canada-trade.org

Department of Trade and Industry
Publications Unit
151 Buckingham Palace Rd
London, SW1W 9SS U.K.
Tel.: (44-20) 7215-1770
Fax: (44-20) 7215-4146

Invest in Britain Bureau
Department of Trade and Industry
London House, 19 Old Court Place
London, W8 4PF U.K.
Tel.: (44-20) 7215-2501
Fax: (44-20) 7215-8451

H.M. Customs and Excise
King's Beam House, 22 Upper Ground
London, SE1 9PJ U.K.
Tel.: (44-20) 7620-1313
Fax: (44-20) 7865-4944

Ministry of Agriculture, Fisheries and Food (MAFF)
Nobel House, 17 Smith Square
London, SW1P 3HX U.K.
Tel.: (44-20) 7238-5332 or 7238-5324
Fax: (44-20) 7238-6609
Internet: http://www.maff.gov.uk

Canadian Financial Institutions in the U.K.

Bank of Montreal
11 Walbrook St.
London, EC4N 8ED U.K.
Tel.: (44-20) 7236-3225
Fax: (44-20) 7236-2655

Bank of Nova Scotia
Scotia House, 33 Finsbury Square
London, EC2A 1BB U.K.
Tel.: (44-20) 7638-5644
Fax: (44-20) 7638-8488

Canadian Imperial Bank of Commerce
Cottons Centre
London, SEI 2QL U.K.
Tel.: (44-20) 7234-6220
Fax: (44-20) 7407-6456

National Bank of Canada
Princes House, 95 Gresham St.
London, EC2V 7LU U.K.
Tel.: (44-20) 7726-6581
Fax: (44-20) 7726-4265

Royal Bank of Canada
71 Queen Victoria St.
London, EC4V 4DE U.K.
Tel.: (44-20) 7489-1188
Fax: (44-20) 7329-6144

Toronto Dominion Bank
Triton Court, 14/18 Finsbury Square
London, EC2A 1DB U.K.
Tel.: (44-20) 7920-0272
Fax: (44-20) 7638-1042

Food & Beverage Trade Associations

Food and Drink Federation
6 Catherine St.,
London, WC2B 5JJ U.K.
Tel.: (44-20) 7836-2460
Fax: (44-20) 7836-0580

British Frozen Food Federation
3rd Floor, Springfield House
Springfield Business Park
Springfield Road
Grantham, Lincolnshire
NG31 7BG, U.K.
Tel.: (44-1476) 515-300
Fax: (44-1476) 515-309
Internet: http://www.bfff.co.uk

Institute of Grocery Distribution
Letchmore Heath
Watford, WD2 8DQ U.K.
Tel.: (44-1923) 857-141
Fax: (44-1923) 852-531

International Private Label Manufacturers Association
369 Lexington Ave.
New York, NY
10017, USA
Tel.: (212) 972-3131
Fax: (212) 983-1382
Internet: http://www.plma.com

International Trade Centres

For export counselling or publications for Canadian exporters, please contact your local International Trade Centre.

Calgary
Tel.: (403) 292-6660
Fax: (403) 292-4578

Charlottetown
Tel.: (902) 566-7400
Fax: (902) 566-7450

Edmonton
Tel.: (403) 495-2944
Fax: (403) 495-4507

Halifax
Tel.: (902) 426-7540
Fax: (902) 426-2624

Moncton
Tel.: (506) 851-6452
Fax: (506) 851-6429
Toll free (N.B. only):
1-800-332-3801

Montreal
Tel.: (514) 283-8185
Fax: (514) 283-8794

Regina
Tel.: (306) 780-6325
Fax: (306) 780-6679

Saskatoon
Tel.: (306) 975-5315
Fax: (306) 975-5334

St. John's
Tel.: (709) 772-5511
Fax: (709) 772-2373

Toronto
Tel.: (416) 973-5053
Fax: (416) 973-8161

Vancouver
Tel.: (604) 666-0434
Fax: (604) 666-8330

Winnipeg
Tel.: (204) 983-8036
Fax: (204) 983-2187

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---. "Europe: Survey of Private Labels," December 10, 1998.

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Yorkshire Post. "Shoppers' plea on store brands," November 13, 1998.

OTHER REFERENCE MATERIAL

Useful Internet Sites

Agriculture and Agri-Food Canada, Agri-Food Trade Service: http://ats.agr.ca

British Chambers of Commerce: http://www.britishchambers.org.uk

Canadian Food Inspection Agency: http://www.cfia-acia.agr.ca

Department of Foreign Affairs and International Trade: http://www.dfait.maeci.gc.ca

European Central Bank: http://www.ecb.int

ExpoGuide: http://www.expoguide.com

ExportSource: http://exportsource.gc.ca

Food & Drink Magazine: http://www.foodanddrink.co.uk

Government Statistical Service: http://www.statistics.gov.uk

InfoExport: http://www.infoexport.gc.ca

Leatherhead Food Research Association: http://www.lfra.co.uk

Media U.K. Internet Directory: http://www.mediauk.com/directory

Ministry of Agriculture, Fisheries and Food: http://www.maff.gov.uk

Office for National Statistics: http://www.ons.gov.uk/ons_f.htm

Private Label - Exclusive Brands Interchange: http://www.pl-eb.com

Private Label Expo: http://www.privatelabelexpo.com

Reports U.K.: http://www.carol.co.uk/reports/index.html

Strategis: http://strategis.ic.gc.ca

Tradeport: http://www.tradeport.org

Trade Show Central: http://www.tscentral.com

U.K. Department of the Environment, Transport and the Regions: http://www.detr.gov.uk

U.K. Department of Trade & Industry: http://www.dti.gov.uk

U.K. Department of Trade & Industry Reports: http://www.foresight.gov.uk/publications

U.K. Government Information Service: http://www.open.gov.uk

U.K. Local Governments: http://www.oultwood.com/localgov/england.htm

U.K. Politics Pages: http://sun1.bham.ac.uk/turnersj/pollinks.html

U.K. Treasury Department: http://www.hm-treasury.gov.uk

U.S. Department of Agriculture: http://www.fas.usda.gov

World Bank: http://www.worldbank.org

Table 4: Currency Conversion Rates for Canadian dollar, British pound and U.S. dollar (using average annual rates)

Source to Target Currency	1994	1995	1996	1997	1998	1999
Canadian dollar to British pound	0.4783	0.4619	0.47	0.4411	0.4072	0.4162
British pound to Canadian dollar	2.0931	2.1663	2.1295	2.2689	2.4598	2.4037
Canadian dollar to U.S. dollar	0.7322	0.7289	0.7334	0.7224	0.6747	0.6732
U.S. dollar to Canadian dollar	1.3661	1.3724	1.3635	1.3846	1.4837	1.4857

Sources: IDD Information Services, *Tradeline*, January 2000.

READER EVALUATION

Please help the Team Canada Market Research Centre to produce market reports which meet your information needs by completing this evaluation form and returning it by fax (613) 943-1103. Thank you for your valuable input.

1. How did you obtain a copy of this market report?

☐ InfoCentre FaxLink system ☐ Government worldwide web site
☐ InfoCentre help line ☐ InfoCentre bulletin board system
☐ Local government office ☐ Other: _____

2. How would you describe this market report?

	Strongly agree	Agree	No opinion	Disagree	Strongly disagree
Useful	☐	☐	☐	☐	☐
Complete	☐	☐	☐	☐	☐
Well organized	☐	☐	☐	☐	☐
Well written	☐	☐	☐	☐	☐
Ideal length	☐	☐	☐	☐	☐

3. In what form do you prefer to obtain these reports?

☐ Print ☐ Electronic

4. Based on the information in this report, what specific action(s) does your organization plan to take in this market? Check all that apply.

☐ Seek an agent/distributor ☐ Contact Canadian trade office abroad
☐ Visit the market ☐ Participate in a trade show abroad
☐ Do more research ☐ Nothing
☐ Other: _____

5. What other market reports would be of benefit to your organization? Please identify specific products and countries.

_____

_____

6. Which of the following categories best describes your organization? Check one only.

☐ Processor/manufacturer ☐ Government
☐ Trading house ☐ Student/academia
☐ Export service provider ☐ Consultant
☐ Industry/trade association ☐ Other: _____

7. What were your organization's total sales last year, in Canadian dollars?

☐ Less than 10 million ☐ 10 million to 50 million
☐ More than 50 million ☐ Not applicable

Additional comments/suggestions for improvement:

_____

_____

_____

OPTIONAL — The name of your organization is: _____

_____

1. All monetary amounts are expressed in Canadian dollars, unless otherwise indicated. The conversion rate to Canadian dollars is based on IDD Information Services, Tradeline, January 2000. Please see Table 4 on page 29.

Publication Date: 2000-11-08

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